

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Burr Oak Community Schools</b>	County <b>St. Joseph</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/1/04</b>	Date Accountant Report Submitted to State: <b>11/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>		City <b>Kalamazoo</b>	State <b>MI</b>
		ZIP <b>49002-5599</b>	
Accountant Signature 		Date <b>11/15/04</b>	

*Burr Oak Community School District*  
*Saint Joseph County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2004*

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## INDEPENDENT AUDITORS' REPORT

**Board of Education  
Burr Oak Community School District**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of June 30, 2004, and for the year then ended, which collectively comprise the Burr Oak Community School District's basic financial statements as listed in the contents. These financial statements are the responsibility of the Burr Oak Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District at June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 11, Burr Oak Community School District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004, on our consideration of Burr Oak Community School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information, on pages 17 through 22, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Burr Oak Community School District has not presented a management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burr Oak Community School District's basic financial statements. The supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

September 1, 2004

## **BASIC FINANCIAL STATEMENTS**

**Burr Oak Community School District****STATEMENT OF NET ASSETS***June 30, 2004*

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	<i>Governmental Activities</i>
<hr/>	
<b>ASSETS</b>	
<b><i>Current assets</i></b>	
Cash	\$ 17,189
Investments	351,645
Receivables (net of allowance for uncollectibles)	431,220
Inventories	<u>7,041</u>
Total current assets	<u>807,095</u>
<b><i>Noncurrent assets</i></b>	
Capital assets (net of accumulated depreciation)	<u>717,325</u>
Total assets	<u>1,524,420</u>
<b>LIABILITIES</b>	
<b><i>Current liabilities</i></b>	
Accounts payable	20,458
Accrued liabilities	<u>118,110</u>
Total current liabilities	<u>138,568</u>
<b>NET ASSETS</b>	
Invested in capital assets	717,325
Unrestricted	<u>668,527</u>
Total net assets	<u><u>\$ 1,385,852</u></u>

*See notes to the financial statements*

**Burr Oak Community School District****STATEMENT OF ACTIVITIES**

Year ended June 30, 2004

Functions/Programs	<u>Program Revenues</u>			<i>Net (expense) revenues and changes in net assets</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Governmental activities</b>				
Instruction	\$ 1,804,311	\$ 18,383	\$ 224,097	\$ (1,561,831)
Supporting services	816,367	38,469	-	(777,898)
Food service	99,100	22,878	60,299	(15,923)
Athletics	129,140	22,184	-	(106,956)
Interest on long-term debt	<u>969</u>	<u>-</u>	<u>-</u>	<u>(969)</u>
Total governmental activities	<u>2,849,887</u>	<u>101,914</u>	<u>284,396</u>	<u>(2,463,577)</u>
<b>General revenues</b>				
Property taxes				110,644
State aid not restricted to specific purposes				2,168,690
Investment income				2,237
Other				<u>28,448</u>
Total general revenues				<u>2,310,019</u>
<b>CHANGE IN NET ASSETS</b>				(153,558)
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>1,539,410</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$ 1,385,852</u>

See notes to the financial statements



**Burr Oak Community School District**  
**BALANCE SHEET - Governmental funds**

June 30, 2004

	<u>General</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>			
Cash	\$ 10,912	\$ 6,277	\$ 17,189
Investments	351,645	-	351,645
Receivables	430,563	657	431,220
Due from other funds	5,252	-	5,252
Inventories	<u>5,000</u>	<u>2,041</u>	<u>7,041</u>
Total assets	<u>\$ 803,372</u>	<u>\$ 8,975</u>	<u>\$ 812,347</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 20,458	\$ -	\$ 20,458
Accrued payroll and fringe benefits	118,110	-	118,110
Due to other funds	<u>-</u>	<u>5,252</u>	<u>5,252</u>
Total liabilities	<u>138,568</u>	<u>5,252</u>	<u>143,820</u>
Fund balances:			
Reserved for inventories	5,000	2,041	7,041
Unreserved:			
Designated	126,012	-	126,012
Undesignated	<u>533,792</u>	<u>1,682</u>	<u>535,474</u>
Total fund balances	<u>664,804</u>	<u>3,723</u>	<u>668,527</u>
Total liabilities and fund balances	<u>\$ 803,372</u>	<u>\$ 8,975</u>	

*Amounts reported for governmental activities in the statement of activities are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

717,325

**Net assets of governmental activities**

\$ 1,385,852

See notes to the financial statements

**Burr Oak Community School District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - Governmental Funds**  
Year ended June 30, 2004

	<u>General</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>			
Local sources:			
Property taxes	\$ 110,644	\$ -	\$ 110,644
Other	83,966	48,633	132,599
State sources	2,230,816	2,844	2,233,660
Federal sources	161,971	57,455	219,426
	<u>2,587,397</u>	<u>108,932</u>	<u>2,696,329</u>
Total revenues			
<b>EXPENDITURES</b>			
Instruction	1,703,321	-	1,703,321
Supporting services	792,487	-	792,487
Food service	-	82,153	82,153
Athletics	-	108,566	108,566
Capital outlay	49,986	16,947	66,933
Debt service:			
Principal	-	15,000	15,000
Interest and fees	-	969	969
	<u>2,545,794</u>	<u>223,635</u>	<u>2,769,429</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>41,603</u>	<u>(114,703)</u>	<u>(73,100)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	118,901	118,901
Operating transfers out	(118,901)	-	(118,901)
	<u>(118,901)</u>	<u>118,901</u>	<u>-</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	(77,298)	4,198	(73,100)
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>742,102</u>	<u>(475)</u>	<u>741,627</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 664,804</u>	<u>\$ 3,723</u>	<u>\$ 668,527</u>
<b>Net change in fund balances - total governmental funds</b>			\$ (73,100)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
			(91,370)
The net effect of miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.			
			(4,088)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
			15,000
<b>Change in net assets of governmental activities</b>			<u>\$ (153,558)</u>

See notes to the financial statements

**Burr Oak Community School District**  
**STATEMENT OF FIDUCIARY NET ASSETS - *Fiduciary funds***  
*June 30, 2004*

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	<i>Private-purpose trusts</i>	<i>Agency</i>
<b>ASSETS</b>		
Cash	\$ 30,895	\$ 58,237
Loans receivable	<u>7,505</u>	<u>-</u>
Total assets	<u>38,400</u>	<u>58,237</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>58,237</u>
<b>NET ASSETS</b>		
Held in trust for other purposes	<u>\$ 38,400</u>	<u>\$ -</u>

*See notes to the financial statements*

***Burr Oak Community School District***

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

*June 30, 2004*

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	<i>Private-purpose trusts</i>
	<hr/>
<b>ADDITIONS</b>	
Interest:	
Investments	\$ 257
Loans	<hr/> 446
Total additions	703
<b>DEDUCTIONS</b>	
Scholarships awarded	<hr/> 300
<b>CHANGE IN NET ASSETS</b>	403
<b>NET ASSETS - BEGINNING OF YEAR</b>	<hr/> 37,997
<b>NET ASSETS - END OF YEAR</b>	<hr/> <hr/> \$ 38,400

*See notes to the financial statements*

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Burr Oak Community School District (the District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported in these statements. All of the District's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

The private-purpose trust funds are used to account for resources legally held in trust for use by students seeking higher education. All resources of the funds, including any earnings on invested resources, may be used to provide scholarships and loans to students seeking higher education. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector standards.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

i) *Deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

ii) *Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are considered to be fully collectible.

iii) *Inventories* - All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Vehicles	8 years

v) *Compensated absences* - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. A footnote for a contingent liability for unpaid accumulated vacation and sick leave has been reported in Note 9.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service fund, which is not required to adopt a budget. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year.

**NOTE 3 - CASH AND INVESTMENTS:**

At year-end, the District's deposits and investments are reported in the basic financial statements in the following categories:

	<i>Governmental activities</i>	<i>Fiduciary</i>	<i>Total Government</i>
Deposits	\$ 17,189	\$89,132	\$106,321
Investments	<u>351,645</u>	<u>-</u>	<u>351,645</u>
	<u>\$368,834</u>	<u>\$89,132</u>	<u>\$457,966</u>

*a) Deposits:*

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority. At June 30, 2004, the District has deposits with a carrying amount of \$106,321 and a bank balance of \$137,426. Of the bank balance, \$112,933 is covered by federal depository insurance and \$24,493 is uninsured.

*b) Investments:*

State statutes and the District's investment policy authorize the District to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) qualified investment pools. Not more than 50% of any fund may be invested in commercial paper.

The District's investments consist of holdings in the Michigan Liquid Asset Fund (a qualified investment pool, which is not categorized as to risk) in the District's name that are carried at cost, which approximates fair value.



**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

At year-end, the receivables for the District's individual major fund and nonmajor funds, in the aggregate, are as follows:

	<u>General</u>	<u>Non-major</u>	<u>Totals</u>
Property taxes	\$ 9,879	\$ -	\$ 9,879
Intergovernmental	<u>420,684</u>	<u>657</u>	<u>421,341</u>
Total receivables	<u>\$430,563</u>	<u>\$657</u>	<u>\$431,220</u>

All receivables are due within one year and are considered to be fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the District for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, being depreciated:				
Buildings	\$1,177,846	\$ -	\$ -	\$1,177,846
Furniture and equipment	1,146,857	23,227	6,750	1,163,334
Vehicles	<u>204,810</u>	<u>-</u>	<u>-</u>	<u>204,810</u>
Subtotal	<u>2,529,513</u>	<u>23,227</u>	<u>6,750</u>	<u>2,545,990</u>
Less accumulated depreciation for:				
Buildings	745,344	12,927	-	758,271
Furniture, fixtures and equipment	846,142	81,908	2,662	925,388
Vehicles	<u>125,244</u>	<u>19,762</u>	<u>-</u>	<u>145,006</u>
Subtotal	<u>1,716,730</u>	<u>114,597</u>	<u>2,662</u>	<u>1,828,665</u>
Net capital assets	<u>\$ 812,783</u>	<u>\$ (91,370)</u>	<u>\$ (4,088)</u>	<u>\$ 717,325</u>

Depreciation expense was charged to governmental activities of the District as follows:

Instruction	\$ 93,780
Supporting services	19,792
Athletics	<u>1,025</u>
Total	<u>\$114,597</u>

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At year-end, the composition of the District's interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	<u>\$5,252</u>	Food Service	<u>\$5,252</u>

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Other governmental funds	<u>\$118,901</u>	General	<u>\$118,901</u>

The interfund receivable and payable balances resulted from the time lag between the dates that interfund goods and services are provided and payments between funds are made.

Transfers are used to supplement athletic and lunch service operational costs in the amounts of \$102,347 and \$585, respectively. The General Fund also transferred \$15,970 to make the final debt service payment on the 1996 bond issue.

**NOTE 7 - LONG-TERM LIABILITIES:**

Long-term liability activity of the District for the year ended June 30, 2004, was as follows:

	<u>Bonds</u>
Balance - July 1, 2003	\$15,000
Reductions	<u>(15,000)</u>
Balance - June 30, 2004	<u>\$ -</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLAN:**

*Plan description* - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan that covers all employees of the District. MPERS provides retirement, survivor, and disability and death benefits to plan members and their beneficiaries. Public Act 300 of 1980 of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPERS Board of Trustees. MPERS issues a publicly-available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MPERS, P.O. Box 30673, Lansing, Michigan 48909-8103, or, by calling 1-800-381-5111.

*Funding policy* - Employer contributions to MPERS result from the implementing effects of the School Finance Reform Act. Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**Burr Oak Community School District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued):**

*Annual pension costs* - The District is required to contribute 12.99 percent of its annual covered payroll. The contribution requirements of the plan members are established, and may be amended, by the MPSERS Board of Trustees. The District's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002, were \$192,242, \$187,095, and \$175,481, respectively, equal to the required contributions for each year.

**NOTE 9 - CONTINGENT LIABILITIES:**

The District is a reimbursing employer to the Michigan Employment Security Commission and, as such, is responsible to pay the Commission for those benefits paid and charged to its account. As of June 30, 2004, appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or unfilled.

The District is contingently liable, at June 30, 2004, for approximately \$332,500 of nonvested accumulated sick pay benefits.

**NOTE 10 - RISK MANAGEMENT:**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and medical benefits provided to employees. The District has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective July 1, 2003, the District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General, special revenue, and debt service funds)	\$ 741,627
Capitalization of capital assets, net of accumulated depreciation, not previously reported	812,783
Long-term liabilities, including bonds payable, that were previously reported in the General Long-term Debt Account Group	<u>(15,000)</u>
Net assets, as restated	<u>\$1,539,410</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Burr Oak Community School District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES FROM LOCAL SOURCES</b>				
Property taxes	\$ 110,828	\$ 111,209	\$ 110,644	\$ (565)
Interest	3,000	2,200	2,237	37
Other	<u>43,550</u>	<u>74,050</u>	<u>81,729</u>	<u>7,679</u>
Total revenues from local sources	<u>157,378</u>	<u>187,459</u>	<u>194,610</u>	<u>7,151</u>
<b>REVENUES FROM STATE SOURCES</b>				
Direct appropriations from the state -				
State school aid	2,239,772	2,168,339	2,168,690	351
Restricted grants:				
Special education	60,000	57,670	57,669	(1)
Other	<u>7,150</u>	<u>3,953</u>	<u>4,457</u>	<u>504</u>
Total revenues from state sources	<u>2,306,922</u>	<u>2,229,962</u>	<u>2,230,816</u>	<u>854</u>
<b>REVENUES FROM FEDERAL SOURCES</b>				
Appropriations from the state representing redistribution of federal funds:				
Title I	87,200	88,799	74,386	(14,413)
Title II	24,426	30,419	22,599	(7,820)
Title V	1,858	1,858	1,846	(12)
At-risk	60,700	62,326	62,327	1
Safe and drug free schools	<u>2,000</u>	<u>720</u>	<u>813</u>	<u>93</u>
Total revenues from federal sources	<u>176,184</u>	<u>184,122</u>	<u>161,971</u>	<u>(22,151)</u>
Total revenues	<u>2,640,484</u>	<u>2,601,543</u>	<u>2,587,397</u>	<u>(14,146)</u>

**Burr Oak Community School District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES</b>				
Instruction:				
Elementary grades:				
Salaries of teachers	\$ 205,518	\$ 229,195	\$ 229,195	\$ -
Salaries of substitutes and aides	32,378	22,650	19,907	2,743
Teaching supplies	7,000	10,700	10,774	(74)
Textbooks	3,000	1,300	4,709	(3,409)
Consumable books	1,100	1,400	2,535	(1,135)
Fringe benefits	90,550	100,475	101,581	(1,106)
Other	<u>1,750</u>	<u>350</u>	<u>329</u>	<u>21</u>
Total elementary grades	<u>341,296</u>	<u>366,070</u>	<u>369,030</u>	<u>(2,960)</u>
Secondary grades:				
Salaries of teachers	440,590	432,700	433,804	(1,104)
Salaries for extra duty assignments	12,200	10,500	9,963	537
Salaries of substitutes	10,000	18,550	19,329	(779)
Teaching supplies	8,000	18,000	18,008	(8)
Textbooks	3,000	4,300	6,813	(2,513)
Consumable books	2,000	1,675	2,657	(982)
Fringe benefits	217,710	220,090	221,881	(1,791)
Dual enrollment tuition	3,000	3,500	3,515	(15)
Travel, workshops, and conferences	1,400	160	159	1
Miscellaneous supplies	<u>600</u>	<u>3,710</u>	<u>3,700</u>	<u>10</u>
Total secondary grades	<u>698,500</u>	<u>713,185</u>	<u>719,829</u>	<u>(6,644)</u>
Guidance services:				
Salaries of guidance counselors	43,758	43,758	43,758	-
Salaries of secretaries	11,800	11,800	10,832	968
Fringe benefits	17,971	17,332	17,573	(241)
Travel, workshops, and conferences	1,000	300	161	139
Supplies	<u>2,000</u>	<u>5,700</u>	<u>5,617</u>	<u>83</u>
Total guidance services	<u>76,529</u>	<u>78,890</u>	<u>77,941</u>	<u>949</u>

**Burr Oak Community School District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Instruction (continued):				
Principal office:				
Salaries of principals	\$ 83,500	\$ 83,500	\$ 81,400	\$ 2,100
Salaries of secretaries	43,056	47,096	47,763	(667)
Fringe benefits	42,160	42,439	42,058	381
Travel, workshops, and conferences	2,000	1,500	1,375	125
Miscellaneous supplies	<u>5,000</u>	<u>5,000</u>	<u>4,667</u>	<u>333</u>
Total principal office	<u>175,716</u>	<u>179,535</u>	<u>177,263</u>	<u>2,272</u>
Special education:				
Salaries of teachers	67,148	67,148	67,148	-
Salaries of aides and substitutes	21,825	22,940	22,787	153
Fringe benefits	36,348	41,321	36,074	5,247
Travel, workshops, and conferences	350	350	-	350
Supplies	<u>3,000</u>	<u>2,085</u>	<u>2,158</u>	<u>(73)</u>
Total special education	<u>128,671</u>	<u>133,844</u>	<u>128,167</u>	<u>5,677</u>
At-risk:				
Salaries of teachers	98,735	75,735	75,058	677
Salaries of aides and substitutes	21,303	10,220	9,806	414
Fringe benefits	57,475	48,465	48,138	327
Supplies	<u>15,517</u>	<u>16,900</u>	<u>15,277</u>	<u>1,623</u>
Total at-risk	<u>193,030</u>	<u>151,320</u>	<u>148,279</u>	<u>3,041</u>
Tuition to other schools	<u>82,500</u>	<u>82,800</u>	<u>82,812</u>	<u>(12)</u>
Total instruction	<u>1,696,242</u>	<u>1,705,644</u>	<u>1,703,321</u>	<u>2,323</u>

**Burr Oak Community School District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Supporting services:				
Library:				
Salary	\$ 43,519	\$ 40,119	\$ 40,118	\$ 1
Library books	1,200	500	425	75
Newspaper and periodicals	825	930	926	4
Audio visual and computer supplies	2,500	750	1,497	(747)
Fringe benefits	<u>15,686</u>	<u>14,260</u>	<u>14,585</u>	<u>(325)</u>
Total library	<u>63,730</u>	<u>56,559</u>	<u>57,551</u>	<u>(992)</u>
Instructional improvement:				
Travel, workshops, and conferences	<u>2,000</u>	<u>24,850</u>	<u>16,661</u>	<u>8,189</u>
Suspension aide:				
Salary	20,325	15,325	15,309	16
Fringe benefits	<u>4,195</u>	<u>3,165</u>	<u>1,902</u>	<u>1,263</u>
Total suspension aide	<u>24,520</u>	<u>18,490</u>	<u>17,211</u>	<u>1,279</u>
Summer recreation program	<u>2,500</u>	<u>800</u>	<u>1,765</u>	<u>(965)</u>
Career preparation	<u>6,000</u>	<u>5,010</u>	<u>4,992</u>	<u>18</u>
Health services - contracted services	<u>1,500</u>	<u>350</u>	<u>342</u>	<u>8</u>
Administration:				
Salaries of board of education	5,000	5,000	3,930	1,070
Salary of superintendent	73,345	73,345	74,170	(825)
Salary of business manager	38,192	38,192	39,211	(1,019)
Office clerk salary	10,000	5,400	5,384	16
Legal fees	3,500	2,800	2,772	28
Audit fees	7,500	6,750	6,750	-
Office supplies	-	8,200	8,223	(23)



**Burr Oak Community School District****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Supporting services (continued):				
Administration (continued):				
Postage	\$ 3,900	\$ 3,900	\$ 3,736	\$ 164
Travel, workshops, and conferences	12,000	7,135	7,071	64
Publishing and printing	1,000	1,610	1,610	-
Fringe benefits	68,876	61,519	61,501	18
Miscellaneous	16,700	7,462	9,049	(1,587)
Total administration	<u>240,013</u>	<u>221,313</u>	<u>223,407</u>	<u>(2,094)</u>
Transportation:				
Salaries of bus drivers	36,635	40,400	38,437	1,963
Salary of transportation supervisor	3,000	3,000	3,000	-
Salaries for special events	7,500	7,000	6,208	792
Gasoline, oil, and grease	10,000	11,500	11,400	100
Tires, tubes, and batteries	1,000	1,500	1,556	(56)
Vehicle repairs/parts	19,000	15,000	17,417	(2,417)
Vehicle insurance	3,000	3,000	3,048	(48)
Fringe benefits	21,139	22,400	21,527	873
Miscellaneous	2,600	2,600	2,317	283
Total transportation	<u>103,874</u>	<u>106,400</u>	<u>104,910</u>	<u>1,490</u>
Operation and maintenance:				
Salaries and custodial services	69,504	72,240	69,792	2,448
Heating fuel	30,000	30,000	30,617	(617)
Utilities	47,200	37,200	41,108	(3,908)
Telephone	7,000	7,500	7,751	(251)
Insurance	10,700	11,000	10,978	22
Custodial supplies	30,000	39,000	39,625	(625)
Contracted plant maintenance	68,500	54,000	53,538	462
Fringe benefits	36,691	37,018	35,830	1,188
Miscellaneous	10,070	6,750	6,216	534
Total operation and maintenance	<u>309,665</u>	<u>294,708</u>	<u>295,455</u>	<u>(747)</u>

**Burr Oak Community School District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Supporting services (continued):				
Technology coordinator:				
Salary	\$ 32,408	\$ 32,408	\$ 32,566	\$ (158)
Fringe benefits	18,169	18,014	18,049	(35)
Contracted services	20,000	18,550	18,551	(1)
Supplies	5,000	750	742	8
Travel, workshops, and conferences	<u>1,000</u>	<u>300</u>	<u>285</u>	<u>15</u>
Total technology coordinator	<u>76,577</u>	<u>70,022</u>	<u>70,193</u>	<u>(171)</u>
Total supporting services	<u>830,379</u>	<u>798,502</u>	<u>792,487</u>	<u>6,015</u>
Capital outlay:				
New and replacement furniture and equipment	<u>26,800</u>	<u>50,250</u>	<u>49,986</u>	<u>264</u>
Total expenditures	<u>2,553,421</u>	<u>2,554,396</u>	<u>2,545,794</u>	<u>8,602</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>87,063</u>	<u>47,147</u>	<u>41,603</u>	<u>(5,544)</u>
<b>OTHER FINANCING USES</b>				
Operating transfers out:				
Athletic Fund	112,652	109,340	102,347	6,993
Hot Lunch Fund	3,000	3,261	585	2,676
1996 Debt Service Fund	<u>15,900</u>	<u>15,970</u>	<u>15,969</u>	<u>1</u>
Total other financing uses	<u>131,552</u>	<u>128,571</u>	<u>118,901</u>	<u>9,670</u>
Total expenditures and other financing uses	<u>2,684,973</u>	<u>2,682,967</u>	<u>2,664,695</u>	<u>18,272</u>
<b>NET CHANGE IN FUND BALANCES</b>	(44,489)	(81,424)	(77,298)	(32,418)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>742,102</u>	<u>742,102</u>	<u>742,102</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 697,613</u>	<u>\$ 660,678</u>	<u>\$ 664,804</u>	<u>\$ (32,418)</u>

## **SUPPLEMENTARY INFORMATION**

**Burr Oak Community School District**  
**COMBINING BALANCE SHEET - Non-major Governmental Funds**  
June 30, 2004

	<u>Special revenue funds</u>		<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Food Service</u>	<u>Athletic Activities</u>	<u>1996 Bond issue</u>	
<b>ASSETS</b>				
Cash	\$ 5,752	\$ 415	\$ 110	\$ 6,277
Receivables	657	-	-	657
Inventory	2,041	-	-	2,041
Total assets	<u>\$ 8,450</u>	<u>\$ 415</u>	<u>\$ 110</u>	<u>\$ 8,975</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	<u>\$ 5,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,252</u>
Fund balances:				
Reserved for inventory	2,041	-		2,041
Unreserved, undesignated	<u>1,157</u>	<u>415</u>	<u>110</u>	<u>1,682</u>
Total fund balances	<u>3,198</u>	<u>415</u>	<u>110</u>	<u>3,723</u>
Total liabilities and fund balances	<u>\$ 8,450</u>	<u>\$ 415</u>	<u>\$ 110</u>	<u>\$ 8,975</u>

**Burr Oak Community School District****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - Non-major Governmental Funds**

Year ended June 30, 2004

	<u>Special revenue funds</u>		<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1996 Bond issue</u>	
<b>REVENUES</b>				
Local sources:				
Food service	\$ 22,878	\$ -	\$ -	\$ 22,878
Athletic gate receipts	-	22,184	-	22,184
Other	2,174	1,397	-	3,571
State grants	2,844	-	-	2,844
Federal grants	57,455	-	-	57,455
	<u>85,351</u>	<u>23,581</u>	<u>-</u>	<u>108,932</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Food purchases	26,123	-	-	26,123
Salaries and wages	29,650	62,464	-	92,114
Fringe benefits	16,567	19,766	-	36,333
Commodity usage	6,180	-	-	6,180
Supplies	1,504	6,154	-	7,658
Contracted services	878	11,353	-	12,231
Miscellaneous	1,251	8,829	-	10,080
Capital outlay	-	16,947	-	16,947
Debt service:				
Principal	-	-	15,000	15,000
Interest and fees	-	-	969	969
	<u>82,153</u>	<u>125,513</u>	<u>15,969</u>	<u>223,635</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,198	(101,932)	(15,969)	(114,703)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	<u>585</u>	<u>102,347</u>	<u>15,969</u>	<u>118,901</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,783	415	-	4,198
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>(585)</u>	<u>-</u>	<u>110</u>	<u>(475)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,198</u>	<u>\$ 415</u>	<u>\$ 110</u>	<u>\$ 3,723</u>

**Burr Oak Community School District**  
**COMBINING BALANCE SHEET - Private-purpose trust funds**  
*June 30, 2004*

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	<i><u>Educational Loan</u></i>	<i><u>Endowment Scholarship</u></i>	<i><u>Totals</u></i>
<b>ASSETS</b>			
Cash	\$ 22,789	\$ 8,106	\$ 30,895
Loans receivable	<u>7,505</u>	<u>-</u>	<u>7,505</u>
 Total assets	 <u>\$ 30,294</u>	 <u>\$ 8,106</u>	 <u>\$ 38,400</u>
 <b>FUND EQUITY</b>			
Fund balance	<u>\$ 30,294</u>	<u>\$ 8,106</u>	<u>\$ 38,400</u>

**Burr Oak Community School District**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - *Private-purpose trust funds***  
*Year ended June 30, 2004*

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	<u><i>Educational Loan</i></u>	<u><i>Endowment Scholarship</i></u>	<u><i>Totals</i></u>
<b>REVENUES</b>			
Local sources:			
Interest	\$ 171	\$ 86	\$ 257
Other	<u>446</u>	<u>-</u>	<u>446</u>
Total revenues	617	86	703
<b>EXPENDITURES</b>	<u>-</u>	<u>300</u>	<u>300</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	617	(214)	403
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>29,677</u>	<u>8,320</u>	<u>37,997</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 30,294</u>	<u>\$ 8,106</u>	<u>\$ 38,400</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Burr Oak Community School District

We have audited the accompanying financial statements of Burr Oak Community School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Burr Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Burr Oak Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.



September 1, 2004



**September 1, 2004**

**Board of Education  
Burr Oak Community School District**

**In planning and performing our audit of the financial statements of Burr Oak Community School District, for the year ended June 30, 2004, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.**

**However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 1, 2004, on the financial statements of the District.**

**We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the District's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.**

*Siegfried Crandall P.C.*

## COMMENTS AND RECOMMENDATIONS

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### ***Cash disbursement authorization:***

Our testing of the District's cash disbursements indicated that the signatures of the authorized check signers, the Board Secretary and Treasurer, are stamped on checks by the Business Manager. This condition makes the District susceptible to the possibility of unauthorized, and potentially fraudulent, cash disbursements.

We recommend that the authorized check signers review supporting documentation for all disbursements, sign each check, and document their authorization. This procedure will improve the controls over cash disbursements by enhancing the system for authorizing cash disbursements.